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**Asia PPP Practitioners' Network Conference**  
**“Searching for a balance between private and public in PPPs”**

**Presentation**

**THE CHALLENGES AND ISSUES OF STRUCTURING EDUCATION PPP PROJECTS**

**by**

**Nasser Massoud**

**Seoul**

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# Introduction



**Nasser Massoud** *MiF, FCI Arb, C Eng, MICE, MSc, BSc*

Managing Director, Concept Realisation

Previously worked for Kier Construction, PwC, InterHealth Canada & Saraya Holdings

- Specializes in strategy formulation of social sector PPPs, as well as structuring, negotiating and financing such transactions
- Experience covers PPPs, privatisations and joint ventures
- Sector specialties healthcare & education
- Portfolio of several landmark projects which Nasser structured, negotiated and led through to financial close
- Recognised by KHIDI (Korean Health Industry Development Institute, under the Ministry of Health of South Korea) as a Global Healthcare Key Opinion Leader (GHKOL)
- United Nations Economic commission for Europe (UNECE) Global Standard for Healthcare PPPs

# Concept Realisation

- Mubadala– Imperial College Diabetes Center
- Mubadala – Al Fajr Gas Pipeline
- InterHealth Canada - Orthopedic PPPs in UK
- American University Jordan
- Saraya Aqaba
- The Capital Partnership

Inhouse at InterHealth Canada

PPPs in Georgia, Poland, Indonesia, Egypt, UAE, Saudi, UK, Caribbean, Peru, San Marino and others



Merged with Saraya

Saraya PPP projects in Jordan, UAE, Oman, Russia, Malaysia, Montenegro, Algeria, Tunisia and others

Re-activated

- ADB Kazakhstan
- KHIDI market entry strategy on healthcare PPPs on 6 countries
- KHIDI market analysis study on 5 services in UAE
- Stem Cell Therapy Center, Dubai
- EBRD Romania
- Ministry of Housing, Saudi
- World Bank IFC Kyrgyzstan PPPs
- KfW Kyrgyzstan PPP Haemodialysis
- UEMS Abu Dhabi with Seoul Rehab Hospital, Paediatric rehab center

# Content

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- Education sector generally and in Asia region
- Gaps in infrastructure investment, implications and challenges
- Adoption of PPPs in education
- Challenges
- Conclusions and questions

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# EDUCATION SECTOR

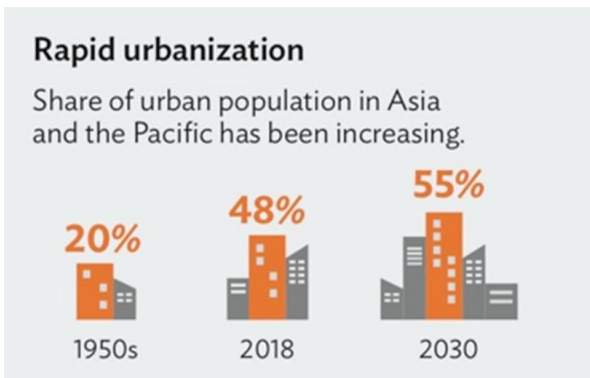
# Education is one of the UN SDGs and is a core area of ADB's operations ...

- Good quality, inclusive education is essential to building human capital
- A well-skilled labour force is essential for a modern, competitive economy
- Education needs to contribute to meeting the challenges of **innovation**, **inclusiveness** and **integration** in the Asia Pacific region
- Equitable access across regions and education stages remains an issue



# Education sector in AsiaPac has a wide scope and has a significant impact on economies and society

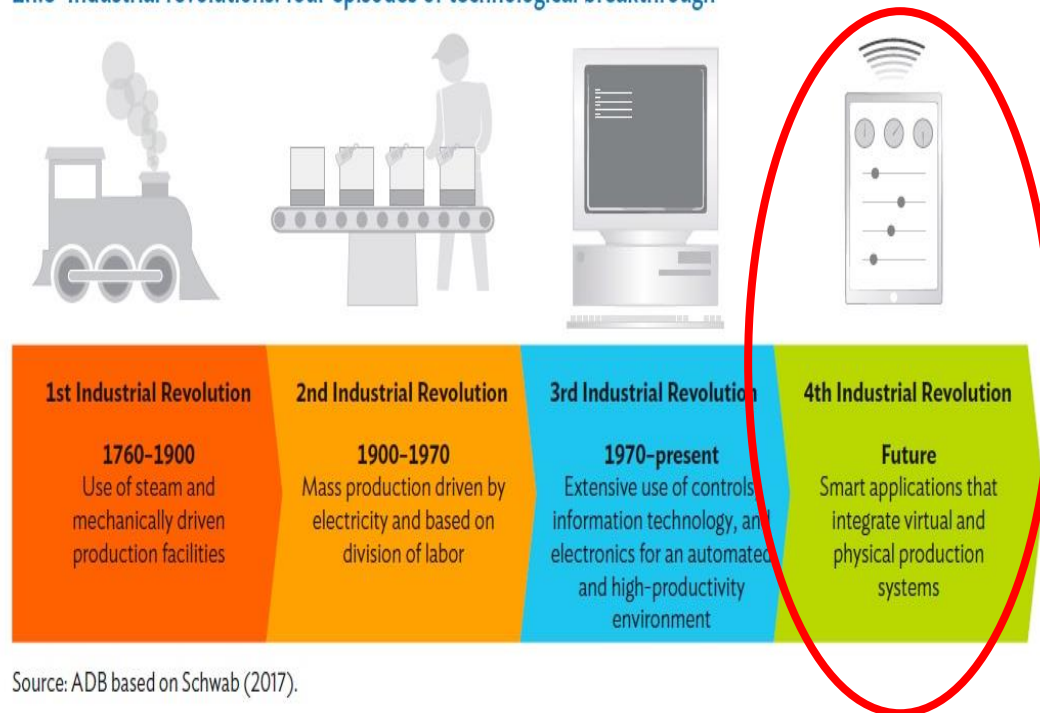
- **Sub-sectors: basic education, secondary education, technical vocational education and training (TVET) and higher education (HE)**



- **Primary enrolment rates at 90% (in the 1970s 2/3<sup>rd</sup> of children were out of school), but there are ...**
  - Issues with student retention
  - Variable quality of education & knowledge gain
  - High drop out rates; few progress to secondary
- **Challenging urbanisation & demographics**
  - 50% population now considered urban.
  - Over 20% of population over 60 years old
- **Pressure to increase post-secondary enrolment (HE and TVET)**
  - TVET & HE not producing quantities nor competencies required
  - TVET & HE not aligned with industry needs
  - Require higher integration with industry eg placements, internships, OTJ
  - Need cost-efficient provision

# Asia Pacific economies need to increase quantity and supply of TVET and HE

## 2.1.8 Industrial revolutions: four episodes of technological breakthrough



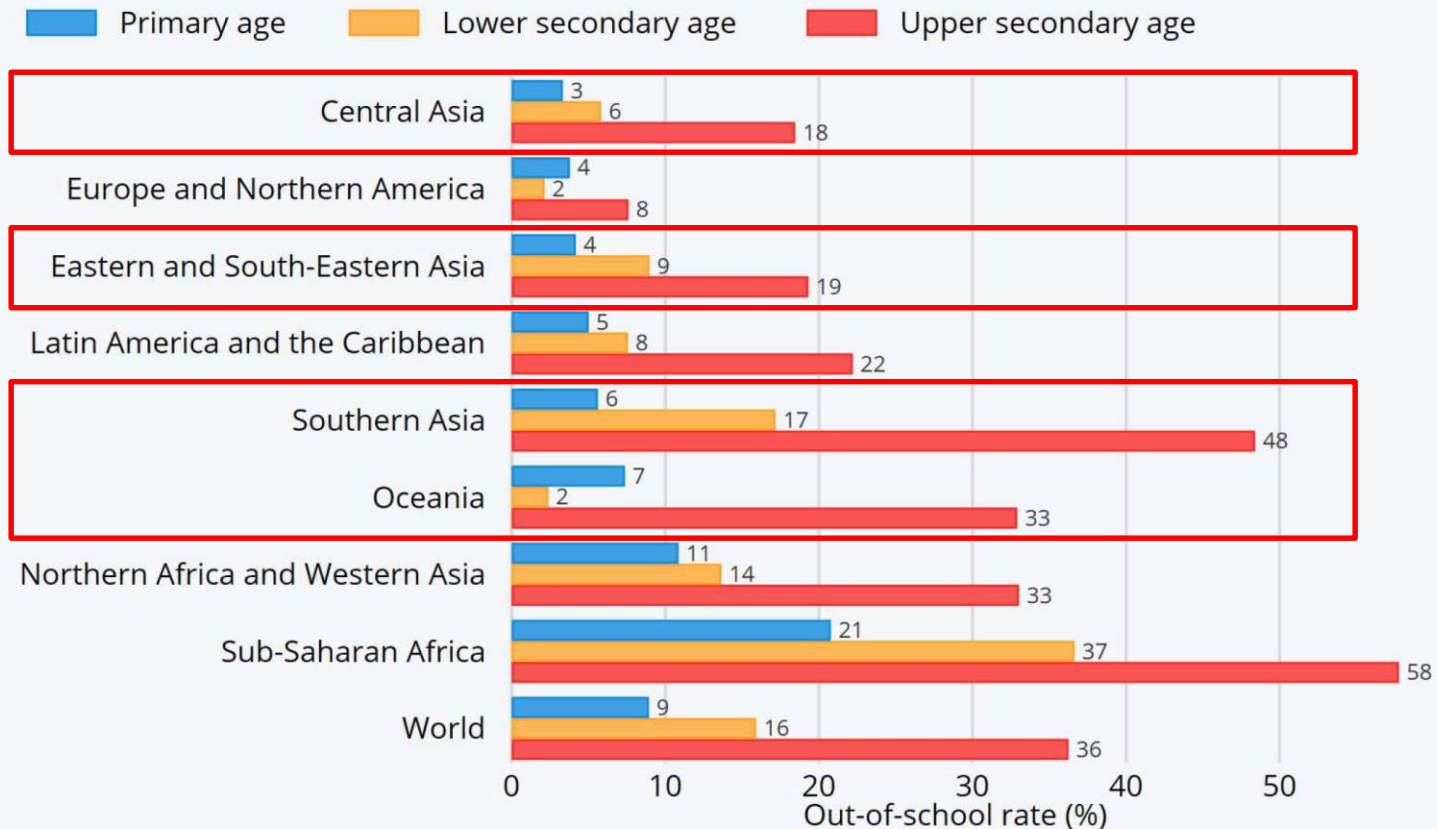
- HE contributes significantly to technological capacity and competitiveness
- Cannot compete in world economies without increasing supply, access, quality and relevance of HE and TVET
- Demand for HE expected to double in 5 years and triple in 10 years in many DMCs
- Trend to establish centers of excellence in HE

Source: ADB based on Schwab (2017).

Source: Asian Development Outlook 2018

# Whilst OOS rate for primary is lower, it is high for lower and upper secondary, particularly in LMICs and SIDSs

Out-of-school rate by region and age group, 2016



Notes: Regions are sorted by the primary out-of-school rate.  
Source: UNESCO Institute for Statistics database.

# Inequalities in gender out of school rates still exist and are more profound in certain regions

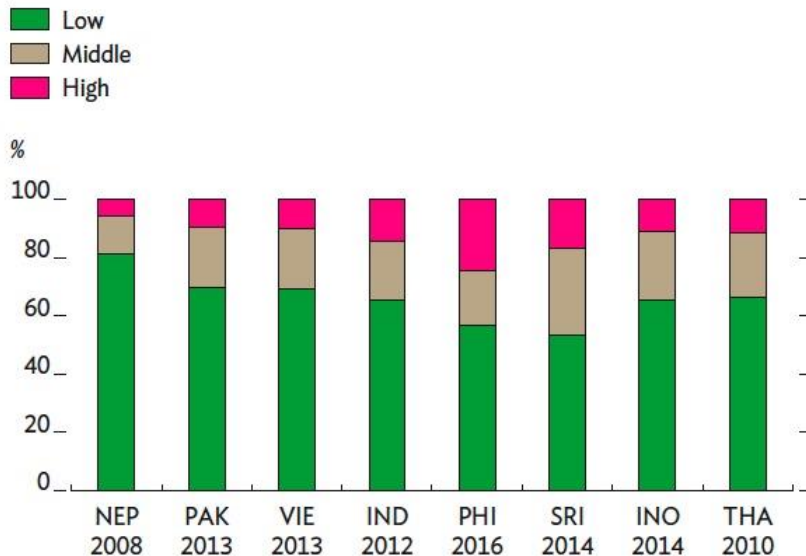
**Table 1. Out-of-school rates and numbers by SDG region, 2016**

Out-of-school children of primary school age								
Region	Out-of-school rate (%)				Out-of-school number (millions)			
	Both sexes	Male	Female	GPIA	Both sexes	Male	Female	
Europe and Northern America	3.8	4.1	3.4	0.84	2.5	1.4	1.1	
Latin America and the Caribbean	5.0	5.5	4.4	0.80	3.0	1.7	1.3	
Central Asia	3.3	2.8	3.8	1.27	0.2	0.1	0.1	
Southern Asia	5.6	4.9	6.4	1.24	10.3	4.7	5.6	
Eastern and South-Eastern Asia	4.2	3.7	4.7	1.20	7.2	3.4	3.8	
Northern Africa and Western Asia	10.9	10.0	11.8	1.15	5.8	2.7	3.1	
Sub-Saharan Africa	20.8	18.1	23.5	1.23	34.1	14.9	19.1	
Oceania	7.4	6.5	8.3	1.22	0.3	0.1	0.2	
World	8.9	7.9	10.0	1.21	63.3	29.1	34.3	
Out-of-school adolescents of lower secondary school age								
Region	Out-of-school rate (%)				Out-of-school number (millions)			
	Both sexes	Male	Female	GPIA	Both sexes	Male	Female	
Europe and Northern America	2.1	2.4	1.9	0.81	0.9	0.5	0.4	
Latin America and the Caribbean	7.6	7.9	7.2	0.90	2.7	1.5	1.3	
Central Asia	5.8	4.8	6.9	1.30	0.3	0.1	0.2	
Southern Asia	17.2	18.3	15.9	0.87	18.2	10.2	8.0	
Eastern and South-Eastern Asia	9.0	9.3	8.6	0.92	8.0	4.4	3.6	
Northern Africa and Western Asia	13.7	11.1	16.3	1.32	3.9	1.6	2.3	
Sub-Saharan Africa	36.6	34.5	38.8	1.11	27.0	12.8	14.2	
Oceania	2.4	2.5	2.3	0.92	0.0	0.0	0.0	
World	15.9	15.7	16.2	1.03	61.1	31.1	30.0	
Out-of-school youth of upper secondary school age								
Region	Out-of-school rate (%)				Out-of-school number (millions)			
	Both sexes	Male	Female	GPIA	Both sexes	Male	Female	
Europe and Northern America	7.6	8.2	7.0	0.86	2.8	1.5	1.3	
Latin America and the Caribbean	22.2	22.8	21.6	0.94	6.9	3.6	3.3	
Central Asia	18.5	17.5	19.4	1.10	0.5	0.3	0.3	
Southern Asia	48.4	47.2	49.7	1.05	67.3	34.4	32.9	
Eastern and South-Eastern Asia	19.3	23.0	15.2	0.66	15.8	9.9	5.9	
Northern Africa and Western Asia	33.0	30.8	35.4	1.13	8.8	4.2	4.6	
Sub-Saharan Africa	57.8	54.3	61.3	1.11	35.8	17.0	18.9	
Oceania	32.9	37.9	27.6	0.73	0.5	0.3	0.2	
World	36.3	36.0	36.5	1.01	138.5	71.1	67.4	

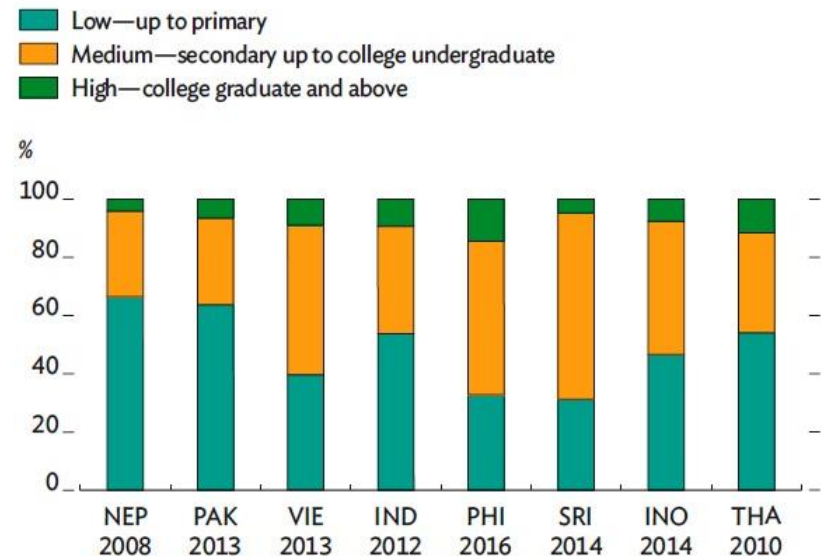
# This is profound in most AsiaPac labour markets, which are mostly low on skilled or HE workers

## 2.1.5 Employment share by skill and education

a. By skill



b. By education



IND = India, INO = Indonesia, NEP = Nepal, PAK = Pakistan, PHI = Philippines, SRI = Sri Lanka, THA = Thailand, VIE = Viet Nam.

Note: Skills classification is based on World Bank (2016).

Source: ADB estimates using labor force surveys, various countries.

# Variances in the Education for All Development Index (EDI) across AsiaPac call for key areas of change

- **Several countries have low EDI**
  - Quality of schooling
  - Increase enrolment beyond basic
  - Increase quantity of schools to follow urbanisation patterns
- **Key areas of change**
  - Policy
  - Financing
  - Structural reform
  - Teacher training
  - Curricula
  - Education service delivery
  - Collaboration with local communities.

## Box 1 Variance in Education for All (EFA) Attainment

The EFA Development Index (EDI) measures progress in enrollment and other key EFA targets. The higher the EDI value, the closer the country is to achieving Education for All. Values range from higher scores (mainly in Central Asia) to medium scores (mainly in Southeast and East Asian DMCs) to low scores (mainly in West and South Asian DMCs). EDI is expressed as a ratio from 0 to 1.

High EDI	Medium EDI	Low EDI
Kazakhstan (0.992)	Armenia (0.949)	India (0.797)
Georgia (0.976)	Indonesia (0.935)	Bangladesh (0.759)
Kyrgyz Republic (0.974)	Mongolia (0.929)	Lao PDR (0.750)
Tajikistan (0.970)	Tonga (0.926)	Nepal (0.734)
Fiji Islands (0.966)	Maldives (0.910)	Pakistan (0.640)
Azerbaijan (0.950)	Viet Nam (0.899)	
	Philippines (0.893)	
	Cambodia (0.807)	

Note: EDI consists of (i) primary education net enrollment ratio, (ii) adult literacy rate, (iii) gender-specific EFA index, and (iv) survival rate to Grade 5.

Source: UNESCO Institute for Statistics – UNESCO estimates, in: ADB. 2008. *Education and Skills. Strategies for Accelerated Development in Asia and the Pacific*. Manila.

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# PPP IN THE EDUCATION SECTOR

# Private sector participation in education is prevalent

- Historically a range providers have emerged:
  - For-profit institutions
  - Non-profit entities run as NGOs
  - Publicly funded institutions operated by private boards
  - Community-owned institutions
- PPPs can be defined narrowly (strictly as contractual arrangements) or broadly (to cover wider private sector participation)



# PPPs have emerged as a modality that can contribute to developing the education sector

- PPPs can contribute the following to the education system:
  - Improving quality and relevance of education
  - Introducing innovations in education service delivery
  - Efficiency and accountability through output-based delivery arrangements
  - Raising cost efficiency and effectiveness of education delivery, including to disadvantaged groups
  - Expanding educational infrastructure through access to additional capital
  - Enhancing ICT utilisation, skills training and sustainable financing
  - Ability to establish performance targets and monitor against these
- There are four types of education PPPs:
  - Education service delivery initiatives
  - Demand-side financing programs (eg vouchers/subsidies)
  - Infrastructure PPPs
  - Professional support services in areas of policy and strategy

# Types of PPP in the education sector

Education Service Delivery Initiatives	Infrastructure Public-Private Partnerships	Demand-Side Financing Programs	Policy, Strategy, and Support Initiatives
<ul style="list-style-type: none"> <li>• Private management of public schools</li> <li>• Contracting with private schools for delivery of education services</li> <li>• Contracting with the private sector for delivery of specialist curricula</li> <li>• Tutoring services</li> <li>• Outsourcing of ancillary functions at schools</li> <li>• Public sector affiliation and franchising of program delivery to the private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Private finance initiatives: finance, design, construction, and operation of educational infrastructure</li> <li>• Private leasing of public school</li> <li>• Equipment and maintenance of information technology laboratories and workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Publicly and privately financed voucher or scholarship programs</li> <li>• Payment of subsidies to students at private schools</li> <li>• Tax credits and tax exemptions</li> </ul>	<ul style="list-style-type: none"> <li>• Private involvement in curriculum and program development</li> <li>• Private involvement in policy and strategy development</li> <li>• Private sector quality assurance</li> <li>• Private information, testing, and certification</li> <li>• Private sector standard-setting</li> <li>• Private sector school review</li> </ul>

# Types of PPP in the education sector

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- Contracts with private schools for the delivery of education services in a manner consistent with general public education requirements/syllabus.
- Contracts with private providers for delivery of specialist syllabus / services.
- Provision of private tutoring services.
- Private management of public schools.

## Most forms of Outsourcing Contracts

<ul style="list-style-type: none"> <li>• Public sector affiliation and franchising of program delivery to the private sector</li> </ul>			<ul style="list-style-type: none"> <li>• Private sector standard-setting</li> <li>• Private sector school review</li> </ul>
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# Case study from the Pakistan Education Management Organisations in Sindh

- A PPP involving the private management of public schools by EMOs
- Objective was to address poor educational outcomes especially for girls in rural areas
- Government builds schools through traditional procurement, then contracts out their operation to private partners through a concession agreement
- Government retains ownership of school land and buildings
- EMOs responsible for providing quality education and meeting KPIs (e.g school management, teacher attendance, student enrolments, curriculum delivery, staff professional development, student assessment, maintenance of school facilities, community engagement and health and hygiene)
- Payment linked to meeting KPIs

# Types of PPP in the education sector

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- Private Finance Initiatives (PFI) – financing, construction, maintenance of educational (infrastructure) public assets.
- Private leasing of public school facilities.
- Equipping of ICT facilities in public schools.

PFI are a form of PPP DBFM Style Contracts – other contractual forms of services or supply of goods contracts – likely to be less complex.

<ul style="list-style-type: none"> <li>• Public sector affiliation and franchising of program delivery to the private sector</li> </ul>			<ul style="list-style-type: none"> <li>• Private sector standard-setting</li> <li>• Private sector school review</li> </ul>
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# Case study from India

## India's Model Secondary School Program

- This is an integrated PPP model covering 2,500 schools, where a licensed operator would invest in providing the infrastructure with a term of 10 years
- Objective was to deal with high drop out rates in basic education – 7-10% with many children not reaching last grade and student attainment levels
- Government provides a recurring cost per capita for government –sponsored students on behalf of the student, ie free to student (140 per class, total per year 980), and in respect of non-government sponsored student, a contribution of 25%
- Provider has to invest in infrastructure and ICT (reference school was given - Kendriya Vidyalaya Sangathan or KVS)

# Types of PPP in the education sector

Education Service Delivery Initiatives	Infrastructure Public-Private Partnerships	Demand-Side Financing Programs	Policy, Strategy, and Support Initiatives
• Private	• Private finance	• Publicly and	• Private

- The voucher system – in the form of a direct payment to a private or public institution on behalf of a student for attending an academic program – has the following advantages:
  - Students are able to attend more effective institutions
  - Wider choice
  - If properly designed, benefit the poor and minorities
  - Increase competition thereby improving standards amongst providers
- Provision of subsidies to private schools that accept students who cannot access public education (due to lack of space or other valid reasons).
- Education tax credits and/or tax assistance to private education providers

**Most forms of Outsourcing Contracts/ Management Contracts/ Service Contracts**

# Case study from the Philippines

## Education Service Contracting (ESC) program

- One of the largest PPPs in basic education in the world
- Objective was to deal with high drop out rates in basic education – 7-10% with many children not reaching last grade and student attainment levels
- Enables students to enrol in private schools. WB study revealed:
  - Private schools produced higher quality outcomes so created improved opportunities for students
  - ESC generated cost savings to Government as the public direct annual cost per student at public secondary schools was USD 185 compared with the voucher at USD 107 (note, on average, families contribute USD 88 on top)
- Over 800k ESC attendees and over 2,800 ESC participating schools
- Considered a successful initiative

# Types of PPP in the education sector

Education Service Delivery Initiatives	Infrastructure Public-Private Partnerships	Demand-Side Financing Programs	Policy, Strategy, and Support Initiatives
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- Teacher Training and training of school managers.
- Syllabus design/education materials development
- Ancillary Services such as food/transportation services.
- Education Testing and School Rating Services.
- Examination Services / Quality Assurance.

## Most forms of Secondary Outsourcing Contracts

<ul style="list-style-type: none"> <li>• Public sector affiliation and franchising of program delivery to the private sector</li> </ul>			<ul style="list-style-type: none"> <li>• Private sector standard-setting</li> <li>• Private sector school review</li> </ul>
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# CHALLENGES AND ISSUES WITH STRUCTURING PPPS

# Basic challenges for structuring and implementing education PPPs

- Policy, regulation and legal environment
- PPP maturity
- Political and sectoral support
- Experience in setting performance measures and monitoring
- Institutional capacity to design and implement partnerships
- Capacity to create and monitor financial structures and arrangements, drawing on private and non-governmental support
- Affordability eg of equitable voucher system, availability payments etc

# Sector-specific challenges

- Land and other resources (qualified trainers, technology, etc)
- Deciding on performance measures that are objective, measurable and in the control of the private provider
- Ultimately private sector involvement is to improve existing services with emphasis on system efficiency, effectiveness, quality, equity and accountability
- Public partner needs to be clear which policy objective they are aiming to meet in this PPP transaction or program
- And on the type of PPP they will use to achieve this objective
- Is there a supply market that can meet these needs in country?
- Will international firms be interested in providing these needs?
- How is affordability to be established?

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# CONCLUSIONS

# Conclusions

- Whilst improvements have been made towards attaining SDG4, there is considerable work yet to be done
- Private sector has participated in the education sector in different forms and with varying commercial interests
- On that basis, Governments have devised ways of tapping into private education investments and consequently there are modalities that are unique to this sector
- AsiaPac has pioneered some of the PPP work in education and continues to do so with the support of ADB and other IFIs
- The opportunities for structuring PPPs in education are very significant and require as a starting point a clear formulation of objectives and a selection of the right modality of PPP for delivery

ANY  
QUESTIONS  
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**Thank you**

[nmassoud@conceptrealisation.com](mailto:nmassoud@conceptrealisation.com)